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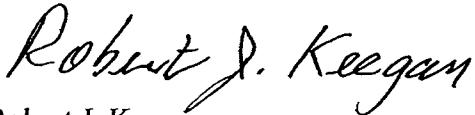
Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: New England Gas Company, D.T.E. 04-6

Dear Secretary Cottrell:

Enclosed for filing is an original and nine (9) copies of the Motion for Reconsideration of New England Gas Company in the above-referenced case. Thank you for your attention to this matter.

Very truly yours,


Robert J. Keegan

Encl.

cc: Andrew Kaplan, General Counsel
Jody Stiefel, Hearing Officer
George Yiankos, Director, Gas Division
Joseph Rogers, Esq.

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

New England Gas Company)
_____))
_____)

D.T.E. 04-6

**MOTION FOR RECONSIDERATION OF
NEW ENGLAND GAS COMPANY**

Pursuant to 220 C.M.R. 1.11(10) of the Department's Rules of Practice and Procedure, New England Gas Company ("New England Gas" or the "Company") submits this Motion for Reconsideration of the Department's May 12, 2005 Order (the "Order") in this proceeding. The Order approved the Company's Long Range Forecast and Supply Plan (the "Supply Plan") for the Fall River and North Attleboro service areas of the Company for the five-year forecast period 2003/04 through 2007/08.

In approving the Supply Plan, the Department noted that the Company developed its design-year and design-day standard by calculating the lost production of its commercial and industrial ("C&I") customers. Order at 9. The Department stated that this is a "deficiency" of the Company's analysis because the inclusion of lost production in the cost-benefit analysis represents the "introduction of a new criterion that assumes that the Company's responsibilities expand beyond meeting weather-driven demand." Id. The Department further states that its concern is that "the Company expects that it would be responsible for lost production" and the Company "has not provided justification for this assumption." Id. Based on the conclusion that the Company would not be responsible for lost production under the provisions of its Distribution Terms and Conditions, the Department found that the Company's design-year and design-day

standard are “reviewable, reliable, but not appropriate.” *Id.* at 9-10, 13. Accordingly, the Department directed the Company in its next supply plan to remove lost production as one of the controlling factors establishing the design-year and design-day standard, or to present justification for inclusion of lost production in its C&I sectors. The Company requests reconsideration because the Order has mistakenly or inadvertently found that C&I customers’ lost production should not be included in the Company’s cost-benefit analysis for design-planning standards. As discussed herein, the Department’s finding is inconsistent with Department precedent and, to the extent that the Department may have determined to change its approach on this issue, is not based on record evidence or any other investigation providing the Company with an opportunity to prepare and present evidence and argument regarding the ramifications of this change.

I. STANDARD OF REVIEW

The Department’s standard for reviewing a motion for reconsideration and clarification of its decisions is well established. Reconsideration of previously decided issues is granted when circumstances dictate that the Department take a fresh look at the record for the purpose of modifying a decision reached after review and deliberation. Consolidated Arbitrations, Phase 4-M at 5 (1999), citing North Attleboro Gas Company, D.P.U. 94-130-B at 2 (1995); Boston Edison Company, D.P.U. 90-270-A at 2-3 (1991); Western Massachusetts Electric Company, D.P.U. 558-A at 2 (1987). Rather than simply rearguing issues considered and decided, a motion for reconsideration should bring to light previously unknown or undisclosed facts that would have a significant impact upon the decision already rendered. Consolidated Arbitrations, Phase 4-M at 5 (1999), citing Commonwealth Electric Company, D.P.U. 92-3C-1A at 3-6 (1995); Boston Edison

Company, D.P.U. 90-270-A at 3 (1991); Boston Edison Company, D.P.U. 1350-A at 4 (1983).

In the alternative, a motion for reconsideration may be appropriate upon a showing that the Department's disposition of an issue was the product of mistake or inadvertence. Consolidated Arbitrations, Phase 4-M at 5 (1999), citing Massachusetts Electric Company, D.P.U. 90-261-B at 7 (1991); New England Telephone and Telegraph Company, D.P.U. 86-33-J at 2 (1989); Boston Edison Company, D.P.U. 1350-A at 5 (1983). Reconsideration is also appropriate where parties have not been "given notice of the issues involved and accorded a reasonable opportunity to prepare and present evidence and argument" on an issue decided by the Department. Petition of CTC Communications Corp., D.T.E. 98-18-A at 2, 9 (1998).

II. ARGUMENT

A. The Department's Longstanding Precedent Requires a Company to Analyze Societal Costs in the Development of Design Planning Standards.

The Department's longstanding precedent in reviewing long-range forecast and supply plans has been to require gas companies to perform a cost-benefit analysis to determine appropriate design-planning standards. Boston Gas Company, 25 DOMSC 116, 140 (1992); Boston Gas Company, D.P.U. 94-109 (Phase I) at 30, fn.42 (1996); Colonial Gas Company, D.P.U. 96-18, at 15 (1996) ("Colonial"); The Berkshire Gas Company, D.T.E. 98-99, at 11-13 (1999); Boston Gas Company, D.P.U./D.T.E. 97-81, at 6-11 (2000); Keyspan Energy Delivery New England, D.T.E. 01-105, at 5-12 (2003). In establishing this requirement, the Department has previously reviewed and approved cost-benefit analyses that compute the costs that would be experienced by *customers*

(such as the value of lost production to C&I customers) in the event of a service curtailment and not costs that are experienced by a company or its shareholders. The Department's decision in this case reaches the exact opposite conclusion, namely that the value of lost production for C&I customers is not relevant unless *the Company* is responsible for these costs. Order at 10 ("because the Company would not be responsible for lost production, it would not be appropriate to plan its resources for such a circumstance"). This finding is inconsistent with Department precedent and represents a conclusion (i.e., it is inappropriate to consider the cost of lost production for C&I customers in establishing the level of reliability necessary for the resource portfolio) that was not investigated, discussed or briefed by the parties in this proceeding.

The Department's precedent is well-established on the issue of computing the *customer's* cost of a service curtailment. In Colonial, D.P.U. 96-18, the Department found Colonial's method for determining its design-year standard flawed, in part, because the company's cost-benefit analysis was internally focused on the company's own costs (e.g., lost revenue to shareholders), rather than "the costs to Colonial's customers." Colonial at 15. In justifying the company's design-year and design-day planning standards in its next case, the Department specifically directed Colonial to:

take into account the costs and benefits *to its customers* of maintaining different levels of reliability . . .

Id. at 17, 20 (emphasis added). Consistent with this approach, the Department has routinely approved cost-benefit analyses that "compare the cost of maintaining resources necessary to meet design-day demand, *to the cost to customers of experiencing service curtailments*. See, e.g., KeySpan Energy Delivery, D.T.E. 01-105, at 6.

In this case, the Company included the value of lost production in its cost-benefit analysis using the exact same methodology previously approved by the Department in Boston Gas Company, D.P.U./D.T.E. 97-81 (2000) and KeySpan Energy Delivery New England, D.T.E. 01-105 (2003) (Exh. NEG-1, at 10-18). For example, in D.P.U./D.T.E. 97-81, to estimate the cost of losses resulting from curtailment to C&I customers (*i.e.*, the economic cost per day to customers), the company used the gross state product per day, as reported by the Commonwealth of Massachusetts Division of Energy Resources. *Id.* at 7-8. The Department found Boston Gas Company's analytical assumptions to be reasonable and the company's design standards to be reviewable, appropriate and reliable. *Id.* at 9-13.

The Company's use of the value of lost production in its cost-benefit analysis was also approved by the Department in KeySpan Energy Delivery New England, D.T.E. 01-105 (2003).

Next the Company conducted a cost-benefit analysis to compare the benefit of maintaining an adequate supply under all reasonable weather conditions to the probability-weighted cost to customers of not maintaining an adequate supply leading to service curtailments. The Company explains that it viewed the costs associated with any service curtailments on a seasonal basis as an economic cost or penalty imposed on its service territory as a whole, hence it estimated potential losses⁹ *based on the product of the potential economic cost per day of service curtailment multiplied by the total number of days of service interruption* (footnote omitted).

9 The Company explains that it calculated the potential losses by using data provided by Data Resources, Inc. to determine the average Gross State Product per day (GSP/day) for the year 2000, which it then used as input into calculating the economic cost to its customers per day.

Id. at 10-11 (citations omitted) (emphasis added). The Department approved the cost-benefit analysis in its entirety, stating that the "Department finds that the data used by the Company to estimate the actual costs associated with service curtailment are reliable, and

that the assumptions underlying the cost-benefit analysis are reasonable.” Id. at 12. See also The Berkshire Gas Company, D.T.E. 98-99, at 12 (1999) (Berkshire took into consideration such costs as lost production by C&I customers, property damage to heating customers, the extensive costs of restoring service and the more general costs associated with public health and safety). Through mistake or inadvertence, the Department held in this case that C&I customers’ lost production should not be included in the Company’s cost-benefit analysis to develop design-planning standards. Because the Department’s decision in this regard is inconsistent with the record, established precedent and sound economic principles, it should be reconsidered.

B. The Company Properly Minimized Societal Cost Rather Than Company Costs in Performing Its Cost-Benefit Analysis.

The Department mistakenly or inadvertently concludes that the Company “expects that it would be responsible for lost production.” Order at 9. This is incorrect. Nowhere in the Company’s analysis does the Company expect that it would be responsible for lost production, nor is this a relevant consideration. The Company’s cost-benefit analysis minimizes societal cost, or those costs that would be experienced by customers, instead of private (Company) cost, because customers bear the costs of maintaining adequate gas supplies to meet design-planning standards.

The Department’s longstanding precedent on the inclusion of loss of production is appropriately premised on the fact that it is the customer’s perspective that must be evaluated in the cost-benefit analysis to determine the appropriate trade-off between the cost of increased reliability (that will be borne by customers) and the cost to customers associated with curtailments of firm gas supplies. Therefore, the value of lost production (i.e., the societal costs) that occurs as a result of a gas-service curtailment is relevant to a

cost-benefit analysis of design planning standards, regardless of who, if anyone, may be held legally liable for such costs.

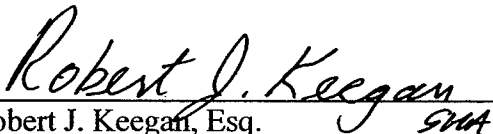
III. CONCLUSION

For the foregoing reasons, the Company's Motion for Reconsideration should be granted.

Respectfully submitted,

NEW ENGLAND GAS COMPANY

By its Attorneys,


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Dated: June 1, 2005